

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL TWO)

Docket No. RM2018-5

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS 1-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 2**  
(July 5, 2018)

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 2, issued June 27, 2018. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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July 5, 2018

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1. Please refer to Library Reference USPS-RM2018-5/1, May 25, 2018, PDF file "Prop.2.Fldr.1.Preface.pdf," Table 1: Activity Codes with Weights Based on TACS (Preface).
  - a. Please provide the SAS programs and input files used to calculate the weights based on TACS rather than the IOCS for the two activity codes listed "6720" ("Time for City Carriers during Sunday/Holiday") and "7720" ("Time for Carriers clocking-in as supervisors on Sunday/Holiday"). Preface at 1.
  - b. In Docket No. ACR2017, the In-Office Cost System (IOCS) activity code description for "6720" is listed as "CARRIER IN-OFFICE ACTIVITY" rather than "Time for City Carriers during Sunday/Holiday" under Proposal Two.<sup>1</sup> Please specify whether the "Time for City Carriers during Sunday/Holiday" includes in-office, street, and training time for city carriers.

**RESPONSE:**

- a. The Attributable Cost program develops the costs for the 6720 and 7720 activity codes. The JCL and SAS for the program can be found in the zip file Prop2.ChIR2.Q1,2.Public.zip provided in USPS-RM2018-5/2. The inputs for this program were provided in USPS-RM2018-5/NP2 as part of the response to question 1 of ChIR No. 1 in this docket.
- b. The "6720" activity code includes the in-office, street, and training time for city carriers on Sundays and holidays.

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<sup>1</sup> See Docket No. ACR2017, Library Reference USPS-FY17-37, December 29, 2017, file "MASTER.CODES.FY17."

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2. Please provide the SAS program code and input files used to develop the "AttCost" variable. Preface at 3.

**RESPONSE:**

The SAS programs and JCL are provided in Prop2.ChIR2.Q1,2.Public.zip provided in USPS-RM2018-5/2, along with the input files POEXP files. The TACSCAG input files are provided in file Prop2.ChIR1.Q1.NP.zip, included in USPS-RM2018-5/NP2.

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3. The Postal Service states that the "CLCARMM" SAS program is to "distribute costs for mixed mail tallies, modified version of ALBCARMM."<sup>2</sup> Given the modified SAS code in this program under the Proposal Two methodology, it appears that city carrier in-office costs for Sundays and holidays are not included in the mixed mail to direct mail costs distribution process.<sup>3</sup> An output from the ALBCARMM program is the in-office direct labor distribution key.<sup>4</sup> Please confirm that the Proposal Two city carrier costs for Sunday and holiday in-office activities are not included in the in-office direct labor distribution key, in-office support and in-office overhead costs in the Proposal Two cost segment 6 and 7 workbooks. If not confirmed, please specify how and reference any applicable Proposal Two workbook costs, procedures, or adjustments.

**RESPONSE:**

Confirmed.

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<sup>2</sup> Preface at 4. "The function of the City Carrier Mixed Mail (CARMM) Cost Distribution program is to distribute mixed mail costs to direct mail activity codes." See Docket No. ACR2017, Library Reference USPS-FY17-37, PDF file "USPS-FY17-37.Preface.pdf," at 12.

<sup>3</sup> The mail type codes associated directly with the cost distribution process do not include activity code "6720" costs. See Library Reference USPS-RM2018-5, folder USPS-RM2018-5\_1\_Public Material\_Proposal Two\_REVISED 6-8-2018.zip, folder "SAS," SAS program "CLCARMM," variable definition for the "mixmail" costs variable =1 (yes) and 0 (no, direct mail costs) activity codes used in the "actv" variable. The Postal Service states costs are "determined by TACS clock ring data rather than by IOCS readings." Preface at 1. No specific activity is identified for "Time for City Carriers during Sunday/Holiday" costs in Proposal Two included SAS datasets records.

<sup>4</sup> See Library Reference USPS-RM2018-5/1, folder "Workbooks," Excel files "CS06&7-FY17Q4-IOCSCluster2.xlsx" and "CS06&7-FY18Q1IOCSCluster2.xlsx," tab "Outputs to CRA," column D, component 43, In-Office Direct Labor; Docket No. ACR2017, Library Reference USPS-FY17-31, December 29, 2017, folder "CRA Model Files," Excel file "FY17Public.cntl.xlsm," tab "DK Master," row 27.

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4. In Docket No. ACR2014, the Postal Service stated that “the methodology used to arrive at the Sunday/[h]oliday delivery cost for NSA packages assumes that 100 percent of the costs are attributable to the packages delivered.”<sup>5</sup> Further, it stated that it “carefully calculate[s] the complete range of Sunday costs incurred, and then actually conclude[s] with a final adjustment that pulls costs that would otherwise be reported as institutional and shifts them to NSA costs.” *Id.* at 18-19. Under the Proposal Two methodology, the Postal Service states that “[a]ccrued costs for city carriers on Sundays and [h]olidays are obtained by using TACS data. Pending possible further study, the Postal Service proposes to make these costs 100 percent attributable and to use Product Tracking and Reporting (PTR) data to attribute to products.”<sup>6</sup>
- a. Will the method, or the impact, of the NSA Sunday and holiday adjustments performed in the Cost and Revenue Analysis (CRA) change as a result of Proposal Two?
    - i. If yes, please provide a detailed description of the changes, as well as any supplemental materials needed to understand the changes.
    - ii. If no, please specify why no change to the adjustment(s) is needed.
  - b. Have NSA adjustments been accounted for in Library Reference USPS-RM2018-5/1, Excel file “Prop.2.IOCS.Cluster.Impact\_Public.xlsx”?

**RESPONSE:**

a. Yes. With the introduction of a Sunday/holiday component of NSAs, costs were incurred that were not included within the existing CRA process. For example, because the Carrier Cost systems do not sample Sunday-specific routes, products delivered on those routes are not included within the street distribution key for cost segment CS07. In addition, the cost for the Sunday-specific component of NSAs is considered 100 percent attributable; the costs above and beyond the national volume-variable costs are also not included within CS06&7. Therefore, under current procedures, there is an adjustment

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<sup>5</sup> See Docket No. ACR2014, Reply Comments of the United States Postal Service, February 18, 2015, at 18 (Docket No. ACR2014, Postal Service Reply Comments).

<sup>6</sup> Petition Two, Proposal Two at 9. “IOCS-Cluster does not sample carriers on Sundays and [h]olidays.” *Id.* at 25. The Petition shows the effects of attributing all Sunday and holiday costs to the Parcel Select “product for purposes of evaluating and presenting the estimated impact on FY [2017] costs[ ]” since “the vast majority of parcels delivered on Sundays and [h]olidays in FY [2017] were Parcel Select....” *Id.* at 9.

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to the final CRA that transfers from institutional costs an amount that ensures that final attributable product costs include these NSA-related Sunday-specific costs that are not otherwise included within CS06&07. If Proposal Two is accepted, CS06&7 will then include Sunday and holiday costs for city carriers. The NSA-specific final adjustment would no longer need to include that portion of NSA costs that will already be included; otherwise these costs would be double-counted in the final CRA.

Workbook Prop2.ChIR2.Q4.FinalAdjust.xlsx is intended to convey the logic underlying the calculation of the final adjustment. The values provided in the workbook are merely hypothetical, presented to help illustrate the calculation.

b. The NSA final adjustment is included in the FY17 volume variable unit cost for total domestic competitive, shown in cell U44 of the Excel file "Prop.2.IOCS.Cluster.Impact\_Public.xlsx". No adjustments were made to the FY17 unit cost with IOCS Cluster V2 in column W to account for a portion of the NSA final adjustment that would already be included in volume variable cost under Proposal Two. This adjustment will be made in ACR 2018, if this proposal is approved.

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5. In Docket No. ACR2017, Library Reference USPS-FY17-31, the CRA documentation shows that the "Carrier Special Purpose [Distribution] Key" (CRA component 578) and the "Carrier Letter Route [Distribution] Key" (CRA component 579) are used to distribute vehicle depreciation costs and other costs to products.<sup>7</sup> These distribution keys are developed in the tab "Outputs to CRA" in the cost segment 6 and 7 workbooks, and are labeled as "SPR DIST KEY" and "LETTER ROUTE DISTRIBUTION KEY."<sup>8</sup>
- a. Please confirm that the "SPR DIST KEY" in Docket No. ACR2017 includes city carrier Sunday and holiday IOCS-developed street time costs.
  - b. Please confirm that the "SPR DIST KEY" in Proposal Five includes Sunday and holiday adjusted (using TACS workhours) IOCS-developed street time costs.<sup>9</sup>
  - c. Please confirm that the "SPR DIST KEY" under the Proposal Two methodology will include Sunday and holiday TACS developed street time costs.<sup>10</sup>
    - i. If confirmed, please describe how, and clarify the note that the new CRA component 49 (Sunday/holiday costs) "is to be added into component 46 Delivery Activities" on the tab "Outputs to CRA" (the "Delivery Activities" column F of the Proposal Two cost segment workbooks component is 47).<sup>11</sup>
    - ii. If not confirmed, please explain why.
  - d. Please list any other cost segments or components whose costs are currently allocated either in part or in whole using the "SPR DIST KEY."

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<sup>7</sup> See Docket No. ACR2017, Library Reference USPS-FY17-31, folder "CRA Model Files," Excel file "FY17Public.cntl.xlsm," tab "DK Master," rows 32-33 (distribution key CRA components are 578-letter route and 579-special purpose) and tab "DK Addends," rows 128-129 (vehicle depreciation costs for city delivery letter routes CRA component 221 and vehicle depreciation costs for special purpose routes CRA component 223).

<sup>8</sup> See Docket No. ACR2017, Library Reference USPS-FY17-32, December 29, 2017, Excel file "CS06&7-Public-FY17.xlsx," tab "Outputs to CRA," "SPR DIST KEY," CRA component 578 (column K) and "LETTER ROUTE DISTRIBUTION KEY," CRA component 579 (column L).

<sup>9</sup> See Docket No. RM2017-9, Order on Analytical Principles Used in Periodic Reporting (Proposal Five), February 6, 2018 (Order No. 4399).

<sup>10</sup> Library Reference USPS-RM2018-5/1, folder "Workbooks," Excel files "CS06&7-FY17Q4-IOCSClusterV2.xlsx" and "CS06&7-FY18Q1IOCSClusterV2.xlsx," tabs "Changes," row 160 states that on the tab "Outputs to CRA," the new CRA component 49 for Sunday/holiday delivery is "to be added into component 46 Delivery Activities." However, the Sunday/holiday costs do not appear to be actually included in the "SPR DIST KEY" column on the tab "Outputs to CRA."

<sup>11</sup> *Id.*

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- e. Please list any other cost segments or components whose costs are currently allocated either in part or in whole using the "LETTER ROUTE DISTRIBUTION KEY."
- f. Please describe any changes or adjustments in the CRA model that will be made to ensure that Sunday and holiday delivery costs continue to form part of the basis by which city delivery vehicle depreciation costs and any other costs included in the response to part d. are allocated.

**RESPONSE:**

a-b. Confirmed.

c. Confirmed. The workbooks filed in USPS-RM2018-5/2 include Sunday/Holiday in the SPR Distribution Key, shown on the Outputs to CRA sheet in workbooks CS06&7-FY17Q4IOCSClusterv2.xlsx and CS06&7-FY18Q4IOCSClusterv2.xlsx.

- i. This note refers to the CRA model. The Sunday/Holiday component 49 will be added into the total Delivery Activities component 46, along with component 47 Delivery Activities and component 48 Product Specific Delivery Activities. Component 46 is used in the CRA model as the distribution key for Cost Segment 2.4 Supervisors for City Carrier Delivery Activities and certain vehicle-related costs for city carriers, including Cost Segment 12.3 Vehicle Hire and Cost Segment 13.2 Carfare and Driveout.
- ii. Not applicable.

d. The SPR Distribution Key is used in the CRA model to distribute Cost Segment 12.1 MVS Labor, Cost Segment 12.2 MVS Supplies and Materials, and Cost Segment 20.2 Vehicle Depreciation for vehicles used on SPR routes.

e. The Letter Route Distribution Key is used in the CRA model to distribute Cost Segment 12.1 MVS Labor, Cost Segment 12.2 MVS Supplies and Materials, and Cost Segment 20.2 Vehicle Depreciation for vehicles used on Letter routes.



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f. Sunday/Holiday costs will be added to the SPR distribution key in the B workpapers (public folder 32), as shown in USPS-RM2018-5/2, workbooks CS06&7-FY17Q4IOCSClusterv2.xlsx and CS06&7-FY18Q1IOCSClusterv2.xlsx, sheet Outputs to CRA. The data on Outputs to CRA, including the SPR Distribution Key, are an input into the CRA model. As discussed in the response to part d above, the SPR Distribution Key, which includes Sunday/Holiday, is used in the CRA model in the distribution of MVS Labor, MVS Supplies and Materials, and Vehicle Depreciation.

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6. In Library Reference USPS-RM2018-5/1, folder "Workbooks," the Excel files "CS06&7-FY17Q4-IOCSClusterv2.xlsx" and "CS06&7-FY18Q1-IOCSClusterv2.xlsx," Sunday and holiday costs are separately itemized throughout these files. For the sake of understanding the changes to Sunday and holiday total costs and cost attribution embedded in Proposal Two, please provide versions of the Proposal Five methodology Excel files "CS06&7-FY17Q4-CurrentwithProp5.xlsx" and "CS06&7-FY18Q1CurrentwithProp5.xlsx" that separate Sunday and holiday costs in a similar manner. In particular, please provide a version of tabs "Input IOCS" and "Outputs to CRA" in each of these workbooks that separates Sunday and holiday and non-Sunday/non-holiday costs for all relevant activity codes and route types.

**RESPONSE:**

While the Postal Service is providing a workbook, Prop2.ChIR2.Q6.IOCS SunHol.xlsx, that is partially responsive to this request, there are very few tallies for carriers working in-office on these days. The workbook provides tally counts for the combinations of attributes for which costs are used. For example, there are only 13 tallies over two quarters of carriers handling a mailpiece; see sheet 6.0.2.2SunHolPub (Approx), rows 11 to 14. The rate of cancellation of scheduled readings for carriers is five times higher on Sunday than for weekdays or Saturdays. This may be partly due to the difficulty of finding a person who can act as a respondent on Sundays.

The attached workbook summarizes Sunday and holiday tally counts and costs from the IOCS dataset without actual processing through the production CARMM program, which distributes mixed mail by CAG and route type. However, sheet 6.0.2.2SunHolPub(Approx) simulates the intent of CARMM, assuming that all Sunday/holiday costs are a single route group and not distinguishing among the different CAG, and distributing the costs for the eight mixed mail tallies in each quarter

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to the underlying products. The results of this distribution are provided in columns I and J. Sheet 7.0.1SunHolPub(Approx) summarizes tally counts and costs by route type for selected non-handling activities, and provides total accrued cost by route type. Note that the tallies in the letter route category should be in the Special Purpose route category; see the response to question 7 in this ChIR for further information. Sheet 6.0.1SunHolPub(Approx) also summarizes non-handling activities by route group.

The Postal Service does not recommend using these Sunday / Holiday tallies for the purposes of developing separate costs for Sundays and holidays. This is because Proposal Five does not have in place a methodology specifically for Sunday and holidays. Under Proposal Five, SPR street costs for Sunday and holidays would be treated using the current SPR street time methodology, which divided street costs into costpools, including both collection and delivery.<sup>12</sup> Each costpool has an established volume variability factor, and a large portion of the street costs are network-related with a 0 percent variability. Proposal Two would offer a methodology to separate out Sunday / Holiday costs from the larger pool of SPR street costs, and to treat these costs as 100 percent volume variable to this delivery-only activity.

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<sup>12</sup> The current SPR methodology for street costs is from Docket No. R97-1, USPS-T-19.

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7. In Docket No. ACR2017, Library Reference USPS-FY17-37, are all city carrier Sunday and holiday IOCS readings assigned to the special purpose route cost group, or are any Sunday or holiday IOCS readings assigned to the letter route cost group? If some are assigned to the letter route cost group, please explain all scenarios and provide the data collector instructions for which Sunday and holiday city carrier IOCS readings would be coded or identified as a city carrier letter route type and "unassigned to a route type" (*i.e.*, route type 99), rather than a special purpose route.

**RESPONSE:**

In Docket No. ACR2017, folder USPS-FY17-37, a few city carrier Sunday and holiday IOCS readings are assigned to the letter route cost group. Most of these are believed to be recorded incorrectly due to an ambiguity in the identification of Sunday routes. In most locations, Sunday delivery does not use specific route numbers. However, in a small number of locations, Sunday routes are given three-digit codes. It occasionally happens that these match that of an actual letter route. Although the prefix letters differ, the data collector can only enter the 3-digit code. The data collection instrument automatically uses information about the letter route when it finds a match and does not give an opportunity for the data collector to record that the carrier's route is for package delivery only. In FY2017, all cases of carriers working on Sunday recorded as assigned to a letter route appear to be due to the situation described above.

Carriers can be recorded as not assigned to a route if they are not yet assigned to a specific route. This can occur, for example, when they are assisting with the organization of parcels among multiple routes or are waiting for mail, before routes have been assigned.

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8. Please specify which route code field is used to produce tab "I-CS07.1 Input" in Library Reference USPS-RM2018-5/1, folder "Workbooks," "I\_FORMS" Excel files.

**RESPONSE:**

For the IOCS-Cluster data, the variable F242 contains the route code used to produce tab "I-CS07.1 Input" in the folder USPS-RM2018-5/1, folder "Workbooks," "I\_FORMS" Excel files. For the non-cluster data, the variable used is F260.